

Message Text

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ACTION ARA-10

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C O N F I D E N T I A L SANTIAGO 11995

E. O. 11652: GDS
TAGS: PFOR, PDIP, ECON, CI
SUBJECT: CHILEAN MINFINANCE STEPS DOWN FOR POST ABROAD;
PRESIDENT STANDS BY ECONOMIC TEAM

REF: SANTIAGO 11893 (NOTAL)

1. SUMMARY: GOC FINANCE MINISTER JORGE CAUAS RESIGNS; HE IS EXPECTED TO BE PROPOSED AS AMBASSADOR TO WASHINGTON. REMAINDER OF HIS ECONOMIC TEAM MOVES UP ONE NOTCH, PRESAGING MAINTENANCE OF CURRENT GOC ECONOMIC POLICY LINE. SERGIO DE CASTRO, NEW FINANCE MINISTER, WILL BE LESS EFFECTIVE THAN CAUAS. LATTER'S APPOINTMENT TO WASHINGTON REFLECTS JUNTA'S APPRECIATION OF IMPORTANCE FOR CHILE OF US ECONOMIC AND FINANCIAL MEASURES.

2. PRESIDENT PINOCHET CONFIRMED DECEMBER 20 THAT JORGE CAUAS HAD RESIGNED HIS PORTFOLIO AS MINISTER OF FINANCE IN ORDER TO ACCEPT A GOC POST ABROAD. AUTHORITATIVE "EL MERCURIO" ASSERTS
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THAT CAUAS WILL BE GOING TO WASHINGTON AS AMBASSADOR AND THAT THE PRESIDENT IS ONLY WAITING UNTIL AGREEMENT HAS BEEN REQUESTED AND EXTENDED BEFORE MAKING IT OFFICIAL.

3. PINOCHET SAID THAT SERGIO DE CASTRO, CURRENTLY MINISTER OF ECONOMY, WOULD REPLACE CAUAS; PABLO BARAONA, HEAD OF THE CENTRAL

BANK, WOULD REPLACE DE CASTRON IN ECONOMY; AND VICE PRESIDENT OF THE CENTRAL BANK, ALVARO BARDON, WOULD TAKE OVER BANK PRESIDENCY. THE PRESIDENT MADE THE OBVIOUS OBSERVATION THAT THESE MOVES SIGNIFIED A REAFFIRMATION OF THE ECONOMIC POLICIES PURSUED BY THE CAUAS TEAM.

4. COMMENT: WE BELIEVE CAUAS HAD BEEN SELECTED FOR WASHINGTON. HIS NOMINATION TO REPRESENT THE GOC AS THE CARTER ADMINISTRATION TAKES OVER IS THE RESULT OF LONG CONSIDERATION. GOC IS KNOWN TO BE FAR FROM SATISFIED WITH AMB. BRUCCO'S PERFORMANCE. MOREOVER, CAUAS' NOMINATION REFLECTS A REALIZATION THAT THE USG HAS IT WITHIN ITS CONTROL TO EXERT A PROFOUND INFLUENCE OVER CHILEAN AFFAIRS BY WHAT IT DOES WITH RESPECT TO DIRECT ECONOMIC AND FINANCIAL ASSISTANCE, AS WELL AS THROUGH ITS ATTITUDES IN INTERNATIONAL FINANCIAL ORGANIZATIONS.

5. IT WILL NO DOUBT BE CAUAS' MOST IMPORTANT TASK TO MAKE THE CASE THAT CHILE'S DOMESTIC AND INTERNATIONAL ECONOMIC POLICIES ARE BROADLY CONGRUENT WITH THOSE OF THE UNITED STATES, AND TO ARGUE THAT THIS CONSIDERATION SHOULD OVERRIDE WHATEVER DIFFERENCES MAY EXIST OVER HUMAN RIGHTS PROBLEMS. CAUAS CAN BE EXPECTED TO MAKE THIS POINT INTELLIGENTLY, AMIABLY, AND IN FLUENT ENGLISH. HE WILL NEED ASSISTANCE FROM THE JUNTA, IN THE FORM OF ADDITIONAL STEPS TO RELAX THE STATE OF SIEGE AND SOME MOVEMENT TOWARD GREATER POPULAR PARTICIPATION IN PUBLIC POLICY MATTERS. HIS GREAT PRESTIGE WITH THE JUNTA SHOULD ENSURE THAT HIS VIEWS ARE AT LEAST WEIGHED IN THESE MATTERS. ON THE OTHER HAND, HE WILL NOW BE PHYSICALLY REMOVED FROM THE LOCAL CENTER OF POWER.

6. CURRENT GOC ECONOMIC POLICIES ARE STRONGLY CRITICIZED EVEN
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AMONG THOSE BASICALLY SYMPATHETIC TO THE GOVERNMENT AND THE THRUST OF ITS POLICIES. CAUAS PROVED HIMSELF TO BE A MASTERFUL DEFENDER OF THE HARSH MEASURES HE PUT INTO EFFECT TO RESTRUCTURE THE CHILEAN ECONOMY. WE HAVE NOT SEEN THE SAME URBANITY AND AGILITY IN SERGIO DE CASTRO; HIS DOUR AND ABRASIVE PERSONALITY MAY MAKE HIM A LESS EFFECTIVE SPOKESMAN FOR GOC ECONOMIC POLICIES THAT CAUAS. HE WILL CERTAINLY BE LESS WELL DISPOSED TOWARD THE US. DE CASTRO IS REPUTED TO BE HELD IN HIGH ESTEEM BY THE MILITARY, HOWEVER. FOR THE PERIOD IMMEDIATELY AHEAD HE SHOULD BE ABLE TO MAINTAIN THE ECONOMIC TEAM'S PREEMINENT ROLE IN SETTING POLICY, ALONG EXISTING LINES.
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